



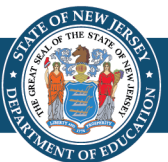
# New Jersey Department of Education



## Chapter 25: Qualified Zone Academy Bonds (QZAB)

Division of Finance and Business Services

February 2, 2022





# Background on QZAB Program



- Created in 1997, Qualified Zone Academy Bonds (QZABs) allows the Federal government to allocate among the states and territories a set amount of tax credits that are awarded to offset the borrowing costs on debt issued for charter school and district facilities improvements.
  - No public funds are awarded through the QZAB program, rather, bondholders of the approved debt receive a tax credit in lieu of interest payments. Recipients benefit by only paying the principle amount.
- Eligibility is based on creation of a “qualified zone academy” that must be located in a Federal empowerment zone or enterprise community, or have at least 35 percent of its student body qualify for free or reduced-price lunch.
- NJDOE’s rules implement and govern the process for district and charter school applications for designation as a zone academy and for eligibility for QZAB funding following federal rules.
- New Jersey Economic Development Authority (NJEDA) is responsible for issuing QZAB bonds.
- The program requires reauthorization by Congress; reauthorization and allocations were last provided for calendar years 2015 and 2016 (\$400 million each year nationwide).





# NJ Regulations and Program



- Regulations were first adopted in 2002 for the initial phase of the Federal program.
- Initial implementation of the program was coordinated with the Schools Development Authority (SDA) to address health and safety issues in schools under SDA's purview.
- 2007 revisions to the program opened eligibility to charter schools that meet the low-income requirements or are in a qualified zone.
- Charter and Renaissance schools have been the only recipients of QZABs in all Federal authorizations since this change and have received all allocations from 2009 to the most recent authorization in 2016.
- Current regulations are straightforward in marrying the requirements of the Federal QZAB program with the requirements of school facilities, and:
  - Outline the timeframe for application and review process, when Federal allocations are made available.
  - Specify the eligibility of charter schools (Subchapter 4) and the narrower requirements for charter school facilities because they are exempt from many aspects of the school facilities requirements.

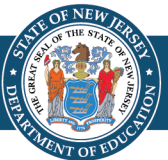




# Recommendation: Re-adoption



- Recommend straight re-adoption. With no action, the rules will expire on April 6, 2022.
- There is no current federal reauthorization for the program, and no funding for the program, so these regulations are currently not being used.
- However, Congress is considering new infrastructure funding for schools – some of which include reauthorization of the QZAB program.
- Based on current information, NJDOE recommends straight re-adoption:
  - Without knowing the final structure of the new program and the funding amount, NJDOE is not able to make informed updates to the regulations at this time.
  - NJDOE should nevertheless maintain the existing regulations to ensure New Jersey does not forgo any reauthorization of QZAB.
  - If and when QZAB is reauthorized, NJDOE can use the current program, or amend existing regulations more quickly than developing new regulations, based on the most recent federal law.





# Thank You!



New Jersey Department of Education: [nj.gov/education](https://nj.gov/education)

[Kevin.Dehmer@doe.nj.gov](mailto:Kevin.Dehmer@doe.nj.gov)

## Follow Us!



[Facebook:](#)  
[@njdeptofed](https://www.facebook.com/njdeptofed)



[Twitter:](#)  
[@NewJerseyDOE](https://twitter.com/NewJerseyDOE)



[Instagram:](#)  
[@NewJerseyDoe](https://www.instagram.com/NewJerseyDoe)

